

Message Text

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PAGE 01 CARACA 02679 202331Z
ACTION XMB-04

INFO OCT-01 ARA-14 ISO-00 EB-08 /027 W
-----065778 202341Z /66

R 201918Z MAR 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 1638
INFO USDOC WASHDC

UNCLAS CARACAS 2679

STATE PASS EXIMBANK VP CRAFTON

COMMERCE FOR MEPD

E.O. 11652: N/A
TAGS: BENC, EFIN VE
SUBJECT: MAJOR PROJECT: INTERALUMINA BAUXITE TO ALUMINA PROEJCT

REF: STATE 063546

1. EMBOFF HAD APPOINTMENT WITH OSCAR MARTINEZ BUT WAS SHUNTED TO HIS ASSITANCE, MANOLO ANZOLA ORTA. FURTHER INFORMATION, INCLUDING SOURCE AND USES OF FUNDS, PRO-FORMA BALANCE SHEET AND CASH FLOW, TARGET ESTIMATES ON EQUIPMENT COSTS, ETC. WILL HAVE TO BE SOUGHT FROM NEW INTERIM GENERAL MANAGER OF INTERALUMINA, A DR. HOFSTETTER, AT SAME ADDRESS LISTED CARACAS 11712. EMBASSY WILL ATTEMPT TO DO SO PROMOPTLY BUT BEAR IN MIND THIS WEEK IS HOLY WEEK AND WE HAVE PRESIDENT CARTER'S VISIT NEXT WEEK. FOLLOWING INFORMATION SUPPLIED BY ANZOLA IN SOME CASES DPULICATES PREVIOUS EMBASSY REPORTING BUT IS REPEATED HEREIN TO GIVE YOU GENERAL PICTURE IN ONE CAPSULE. EMBASSY REPORTING ADDITIONAL TO THAT CITED IN REFTEL IS CARACAS 2027, 1651, (76), 14557, AND (76) 13332.

2. GENERAL DESCRIPTION: PROJECT IS TO BUILD ONE-MILLION TON PER YEAR CAPACITY BAUXITE TO ALUMNIA PLANT USING UNCLASSIFIED

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BAYER PROCESS. TECHNICAL ASSISTANCE FROM ALUSUISSE. PLANT SIMILAR TO ONE GOVE, AUSTRALIA. WILL USE BAUXITE FROM NEW ORE FIND IN LOS PIJIGUAOS, BARGED DOWN THE ORINOCO TO INTERALUMINA PLANT. SEE CARACAS A-01 OF JANUARY 9, 1978, AND PREVIOUS FOR REPORT ON ORE PROJECT. SINCE THIS REPORTEDLY HIGH QUALITY ORE, PRODUCTION COSTS AT INTERALUMNIA WILL BE RELATIVELY LOW, ACCORDING TO ANZOLA.

PRODUCTION WILL BE SOLD TO ALCASA AND VENALUM, CVG-AFFILIATED COMPANIES (SEE ALSO CARACAS A-01) WHICH HAVE RATED ANNUAL CAPACITY OF 124,000 TONS AND 280,000 TONS, RESPECTIVELY, OF PRIMARY ALUMINUM. ECESS ALUMNIA, SOME 200,000 TONS, WOULD BE SOLD TO ALUSUISSE, REYNODLS AND JAPENSE PARTNERS IN VENALUM. HOTE: ESTIMATED BASED ON ONE-MILLION TON CAPACITY INTERALUMNIA AND TWO TONS ALUMNIA FOR EACH TON ALUMINUM INGOT.

3. TIMEING: ALUSUISSE SUBSIDIARY, HEYWOOD ROBINSON, NEW YORK, CARRYING OUT OVERALL DESIGN. CALL TO PREQUALIFY VENDORS OF EQUIPMENT RECENTLY ISSUED AND DUE APRIL. IF POSSIBLE, ALL EQUIPMENT TENDERS WILL BE PLACED THIS YEAR. SEVEN LOCAL FIRMS HAVE BEEN PREQUALIFIED TO SUBMIT BIDS ON EARTHMOVING CONTRACT MAY 4. CALL FOR FIRMS TO PRE-QUALIFY FOR PORT DESIGN AND INSTALLATION, ISSUED DECEMBER 1977, WILL REPORTEDLY BE VOIDED AND DESIGN PORTION RE-BID, WITH PARTICIPATION LIMITED TO VENEZUELAN FIRMS. TARGET DATE FOR ENTRY INTO SERVICE, AUGUST 1981.

4. FINANCING: TOTAL PROJECT COST, BOLIVARES TWO BILLION SEVEN. EQUITY, BOLIVARES SEVEN HUNDRED FIFTY MILLION, EIGHTY FIVE PERCENT CVG, FIFTEEN PERCENT ALUVEN, WHICH LOCALLY-INCORPORATED SUBSIDIARY OF ALUSUISSE. BILLITON INTERNATIONAL METALS, B.V.? THE HAGUE, MAY TAKE POSITION IN ALUVEN ALSO, EQUITY CAPITAL, TWENTY PERCENT PAID IN. WORKING CAPITAL UNCLASSIFIED

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NEEDED: BOLIVARES THREE HUNDRED MILLION. FONDE DE INVERSIONES DE VENEZUELA (FIV) MAY PURCHASE PORTION OF CVG EQUITY. PUBLIC CREDIT LAW OF 1976 (CARACAS A-129 OF 9/17/76) AUTHORIZES BORROWING FROM QUOTE SOURCES NOT YET SPECIFIED UNQUOTE OF UP TO BOLIVARES TWO POINT FOUR BILLION, BUT DOES NOT AUTHORIZE FIVE EQUITY INVESTMENT. FIRST BOSTON HAS PRESENTED PROPOSAL FOR DOLLARS SIXTY MILLION PRIVATE PLACEMENT AND VARIOUS OTHER OFFERS PRESENTED, ACCORDING TO ANZOLA.

5. ACTION: ACCORDING TO ANZOLA, CVG WOULD LIKE TO SEE EXIMBANK DIRECT LOAN TO INTERALUMINA IN AMOUNT DOLLARS FIFTY TO ONE HUNDRED MILLION, AT LONGEST POSSIBLE TERMS. SINCERELY INTERESTED BUYING U.S. EQUIPMENT. CVG ENCOURAGES INITIATION DIRECT CONVERSATIONS BETWEEN EXIMBANK AND INTERALUMINA AT EARLY DATE.

6. EMBASSY COMMENT: WE HOPE ABOVE GIVES YOU SUFFICIENT GENERAL INFO TO MOVE AHEAD. CVG MANAGEMENT STRETCHED THIN. DOUBT THAT QUOTE ADDITIONAL INFORMATION UNQUOTE YOU REQUEST WILL BE AUTOMATICALLY FORTHCOMING. IF YOU WISH EMBASSY TO PRESS HOFSTETTER, PLEASE SPECIFY IN MORE DETAIL WHAT YOU NEED. IF EXIM CONTEMPALTES VISIT TO VENEZUELA, SUGGEST WEEK APRIL

THREE TO SEVEN.

7. ADDITIONAL COMMENT: INTERALUMINA OFFICIAL HAS TOLD US THAT
CVG, FOR DOMESTIC POLITICAL REASONS, DOES NOT WISH IT KNOWN
THAT IT IS SEEKING OUTSIDE FINANCIAL ASSISTANCE ON THIS PROJECT
AND WOULD PREFER TO HAVE SUCH FINANCING FIRMLY NAILED DOWN
BEFORE IT BECOMES PUBLIC KNOWLEDGE.

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Message Attributes

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Draft Date: 20 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
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Disposition Approved on Date:
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Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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To: STATE
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